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April 23, 1997

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FEDERAL COMMUNICATIONS COMMISSION
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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Hand Delivered

Re: Reply Comments of Telstra Corporation Limited
Notice of Inquiry
CC Docket No. 96-263

CC 96-262

Dear Mr. Caton:

Transmitted herewith, on behalf of Telstra Corporation Limited ("Telstra"), are an original and sixteen copies of its Reply Comments in the above-referenced proceeding. Also enclosed is an electronic version of the Reply Comments on a 3.5" diskette in WordPerfect 5.1 for Windows format.

If there any questions concerning this matter, please contact me.

Very truly yours,

Gregory C. Staple

Enclosure

cc (w/encl) by hand delivery:
Competitive Pricing Division, Common Carrier Bureau (FCC Room 518)

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Telstra Corporation Limited
April 23, 1997

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	))	CC Docket No. 94-1
	)	
Transport Rate Structure and Pricing	))	CC Docket No. 91-213
	)	
Usage of the Public Switched Network by Information Service and Internet Access Providers	)))	CC Docket No. 96-263

REPLY COMMENTS OF TELSTRA

Telstra Corporation Limited ACN 051 775 556 (Telstra), by its attorneys, hereby submits these Reply Comments in the Commission's Notice of Inquiry in CC Docket No. 96-263, regarding usage of the public switched network (PSTN) by Internet service providers (ISPs).[1] Telstra is Australia's leading domestic and overseas carrier, and is also a major Australia Internet Service Provider (ISP).

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[1] In the Matter of Usage of the Public Switched Network by Information Service and Internet Access Providers, Notice of Inquiry, CC Docket No. 96-263, FCC 96-488, released December 24, 1996.

I. Introduction

In its Notice of Inquiry, the Commission correctly observed that the development of the Internet is inextricably linked to the future of the PSTN. Indeed, Internet traffic growth has led to an unprecedented demand for new carrier facilities, a development which has benefitted U.S. domestic and international carriers alike. However, Telstra believes that the current arrangement requiring foreign ISPs to pay for each half of the international circuit used to access U.S. Internet backbone networks not only discriminates against foreign ISPs and Internet users, but also dampens efficient international usage of the Internet — to the ultimate detriment of foreign and U.S. Internet subscribers alike.

Telstra therefore suggests that the Commission investigate this issue in the current docket to determine: (1) whether the current terms and conditions under which U.S. international carriers provide foreign ISPs access to the U.S. Internet backbone networks are just and reasonable; (2) whether U.S. international private lines (IPLs) should be available for Internet access on a peering basis which reflects the relative traffic volumes of U.S. and foreign ISPs; and (3) whether ISPs are able to acquire whole circuits for international service on a non-discriminatory basis with other international communications providers.

II. The Current Practices of U.S. Carriers are Unfair, Discriminatory and Damaging to Efficient Usage of Carrier Facilities for the Provision of Internet Services

The international capacity required to support Internet traffic is growing at a prodigious rate. Telstra's Internet capacity requirement to the United States, for example, has grown ten-fold in the past eighteen months, and along with much of the rest of the world is now growing at 10% per month, or trebling each year. To access U.S.-based Internet sites, however, U.S. carriers have insisted that foreign carriers pay for both of the required international half-circuits — i.e., for 100% of the cost of the international link. In contrast, where international telephone service is involved, the U.S. and foreign carrier each pay for their own half-circuit.

When Telstra first established international capacity to the United States to meet the needs of Australian Internet users, the traffic was almost all one-way — i.e., asymmetrically from the United States to Australia — as Australian users accessed web sites in the United States and downloaded information and content. Today, the traffic patterns between the United States and Australia have changed, and the traffic flow has shifted significantly. Telstra estimates the flow is in the order of 70:30 U.S.-to-Australia vs. Australia-to-U.S. This is due mainly to U.S. Internet users increasingly drawing on Australian Internet content (including traffic to significant "mirror" sites located in Australia and to many Australian web sites, such as a new family-oriented Internet digest and search engine located in Melbourne).

Yet U.S. carriers still insist on foreign carriers paying for the cost of both half-circuits. The continuation of this arrangement means that foreign carriers are effectively subsidizing U.S. carriers and U.S. ISPs (which, of course, are frequently under common ownership). In the case of Telstra alone, this subsidy to the United States in respect of the 82 Mbps capacity currently in place for Internet traffic (the equivalent of 5000 voice channels), presently amounts to approximately U.S. $9.6 million per year. This represents a global subsidy of U.S. $200 million, which is trebling every year. Even assuming that half the Internet traffic to and from the United States is carried on wholly-owned international circuits by the year 2000 (as opposed to the existing lease arrangements), this subsidy will grow to at least U.S. $2.5 billion by the year 2000. Telstra believes that under an equitable regime, the cost-allocation of Internet capacity should bear a closer relation to the traffic flows -- that is, all parties which benefit from the provision of global Internet connectivity should bear a fair portion of the costs.

Telstra therefore submits that the Commission should use the instant proceeding to review the current tariffing practices of U.S. carriers for international private line services that are required to provide Internet access. It is Telstra's view that uniform flat rate (i.e., non-traffic sensitive and non-cost based) IPL tariffs for Internet access are unreasonable and discriminate against foreign Internet service providers and carriers, like Telstra. These practices likely violate Sections 201 and 202 of the Communications Act of 1934, as amended, and Part 61 of the Commission's Rules.

III. Conclusion

The Internet is nothing if not global. And, Telstra believes U.S. ISPs and their customers would not have it any other way. But as steep increases in Internet traffic place higher and higher facilities costs on foreign ISPs, the provisioning arrangements for the Internet must fairly assign the costs to the U.S. and non-U.S. entities which knit the network together. Otherwise the global Internet will not be economically sustainable in its present form. This issue deserve the FCC's immediate attention as it decides on the future oversight of the Internet.

Respectfully submitted,

TELSTRA CORPORATION LIMITED

By ______________________

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April 23, 1997

CERTIFICATE OF SERVICE

I, Barbara Frank, a secretary in the law firm of Koteen & Naftalin, L.L.P. do hereby certify that copies of the foregoing "REPLY COMMENTS OF TELSTRA" were mailed first-class U.S. Mail, postage prepaid, this 23rd day of April 1997 to the following:

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